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## Quality management systems — Managing an organization for quality results - Guidance for realizing financial and economic benefits

*Management de la qualité — Lignes directrices pour réaliser les avantages financiers et économiques*

ICS: 03.120.10

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## Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see [www.iso.org/directives](http://www.iso.org/directives)).

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights. Details of any patent rights identified during the development of the document will be in the Introduction and/or on the ISO list of patent declarations received (see [www.iso.org/patents](http://www.iso.org/patents)).

Any trade name used in this document is information given for the convenience of users and does not constitute an endorsement.

For an explanation on the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT) see the following URL: [www.iso.org/iso/foreword.html](http://www.iso.org/iso/foreword.html).

This document was prepared by Technical Committee ISO/TC 176, *Quality management and quality assurance*, Subcommittee SC 3, Supporting technologies.

This second edition cancels and replaces the first edition (ISO 20014:2006) to reflect the changes in ISO 9000 quality management principles. Its renewed rationale and concepts, ensure alignment with ISO 9001:2015. In addition, it complements the ISO 9004 new revision. The requirements for documented information in ISO 9001:2015 are specifically stated in clause 7.5 (Documented Information), and throughout the standard. Further purpose of the revision of is :

- Alignment with revised QM principles and rationale;
- Alignment with new concepts, terms and definitions
- Producing a more lean document
- Making it brief and easy to understand, apply and management readable
- Develop a document to explain “what to do to realize financial and economic benefit”The main changes compared to the previous edition are as follows:

## Introduction

This document is addressed to top management. It provides guidelines for realizing financial and economic benefits by applying a top-down structured approach to management. The structured approach monitors and tracks key business and quality management metrics (3.1) then, using the metrics, takes improvement action(s) following the quality management principles and systems described in the ISO 9000:2015 quality management system standard.

Adoption of these principles is a strategic top-management decision. The quality management principles are as follows:

- a) customer focus,
- b) leadership,
- c) engagement of people,
- d) process approach,
- e) improvement,
- f) evidence based decision making,
- g) relationship management

Adoption of these principles is a strategic top-management decision. Economic benefit is achieved by:

- Implementation of the seven quality management principles, which establishes and enables a linkage between effective management and the realization of financial benefits, economic benefits and organizational goals (see to [Annex A](#));
- Effectively applying a structured Plan - Do- Check - Act (PDCA) continual improvement cycle. This cycle identifies action plans based on data and information resulting from implementation of the 'process approach'(3.6).
- Using the quality management principles in daily operating practice, through (i) the effective management of resources and (ii) implementation and monitoring of management system processes to improve the overall effectiveness and efficiency of the organization.

Financial benefit is realized within the organization by implementing and utilizing cost-effective management system practices based on the principles. The resulting organizational and financial improvement is expressed in monetary form.

Financial, economic and organizational benefits resulting from the application of the quality management principles include, but are not limited to:

- 1) improved net revenues,
- 2) improved budgetary performance,
- 3) reduced costs,
- 4) reduced business risks,
- 5) improved cash flow,
- 6) improved return on investment,
- 7) improved retained earnings,
- 8) increased competitiveness,
- 9) improved customer retention and loyalty,

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- 10) optimized use of available resources,
- 11) heightened employee engagement,
- 12) improved intellectual capital,
- 13) optimized, effective and efficient processes,
- 14) improved supply chain performance.
- 15) reduction of unpredictable business outcomes.

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# Quality management systems — Managing an organization for quality results - Guidance for realizing financial and economic benefits

## 1 Scope

This document is directed specifically to the top management of an organization.

This document identifies and provides guidelines for realizing financial and economic benefits by applying a top-down structured approach to achieving financial and economic benefits. The structured approach utilizes the quality management principles and quality management systems described in the ISO 9000 series management system standards to (i) monitor and trend key performance metrics and (ii) take improvement action based on the observed metrics.

This document complements ISO 9001 and ISO 9004 for performance improvements and provides examples of achievable benefits from the application of concepts in those standards. This document identifies associated practical management methods and tools to assist in achieving the benefits.

This document is applicable to any organization, whether from the public, private or not-for-profit sector, regardless of its business model or size, number of employees, diversity of product and service offerings, revenues, organizational culture, complexity of processes, place or number of locations.

This document is not intended for certification, regulatory or contractual use.

## 2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 9000, *Quality management systems — Fundamentals and vocabulary*

ISO 9001:2015, *Quality management systems - Requirements*

ISO 9004, *Quality management systems — Quality of an organization — Guidance to achieve sustained success*

## 3 Terms and definitions

For the purposes of this document, the terms and definitions given in ISO 9000 and the following apply.

ISO and IEC maintain terminological databases for use in standardization at the following addresses:

- IEC Electropedia: available at <http://www.electropedia.org/>
- ISO Online browsing platform: available at <http://www.iso.org/obp>

### 3.1

#### **metric**

verifiable measurement used for quantifying or evaluating an output

### 3.2

#### **economic benefit**

benefit attained through the effective implementation of management system processes and resources to generate value and improve the health and overall worth of the organization and its relevant interested parties

### 3.3

#### **financial benefit**

organizational improvement expressed in monetary form.

Note 1 to entry: Financial benefit should be realized by implementing cost-effective management system processes

### 3.4

#### **dashboard**

combination of numerical and graphical data displays used to present the performance and trends of key results

Note 1 to entry: Examples include traffic light, Pareto charts, pie charts, trend charts, etc.

### 3.5

#### **best practice**

method that has been proven to work well and produce the best results, and is therefore recommended to be adopted as a model

Note 1 to entry: Methods described as best practice have usually been tested over time and validated, through repeated trials, before being accepted as worthy of broad adoption.

### 3.6

#### **process approach**

systematic approach to management in which an organization identifies and monitors its internal processes and their interactions

### 3.7

#### **benchmark**

measurement and analysis that an organization should use to search for and compare best practices inside and outside the organization, with the aim of improving its performance

Note 1 to entry: Benchmarking should be applied to policies, strategy and objectives, processes and their operation, products, services, and the organization's structures.

### 3.8

#### **leading indicator**

metric (3.1) that gives an indication of expected performance

### 3.9

#### **lagging indicator**

metric (3.1) that gives an indication of past performance

### 3.10

#### **productivity**

ability to generate, create, enhance or deliver products, services and knowledge.

## **4 Top-down structured approach to realize financial and economic benefits**

### **4.1 Overview**

This document provides a top-down structured approach to assist top management in identifying and realizing financial and economic benefits. The top-down structured approach presented in this



document is generic and should be applied to any process or ongoing business condition (see [Annex B](#)). The approach is shown as a two-stage model in [Figure 1](#).

In Stage 1, top management is responsible for identifying areas for improvement. The information from Stage 1 is given to the process owners in the form of assigned action(s).

NOTE This same model should also be used to sustain improvements and achievements

In Stage 2, the process owners are responsible for developing and implementing effective improvement plans.

The economic and financial benefits are achieved by monitoring, analyzing and trending key metrics:

- in the context of the organization, and
- that represent the changing needs and expectations of interested parties.

This is followed by taking improvement actions, based on the results of the metrics, using the quality management principles together with the organization's quality management system.

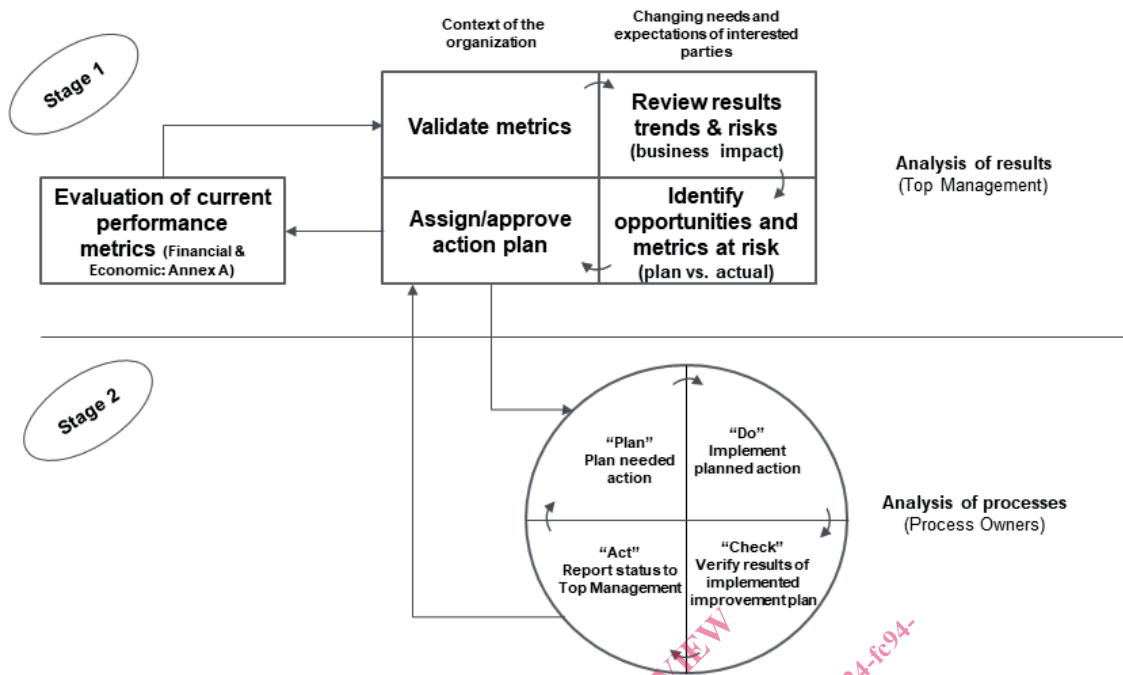
The quality management principles are supported by the Process Approach (3.6), the PDCA cycle: (Plan-Do-Check-Act), and risk-based thinking.

It is strongly recommended for an organization to conduct an initial self-assessment using the self-assessment tool provided in [Annex C](#) to baseline how well it is using the processes outlined in this standard. Although some organizations may not have developed a set of metrics (3.1) and tools to identify and recognize risks and opportunities, this model still works because an organization should start with the self-assessment tool ([Annex C](#)) to identify gaps in their organizations processes.

As these processes improve, the organization will be better enabled to recognize improvement opportunities through the evaluation of business results.

[Figure 1](#) summarizes the top-down structured approach for:

- analyzing results important to the organization's financial and economic performance, and
- identifying opportunities and metrics at risk, and
- improving the underlying business processes.



**Figure 1 — Top-down structured approach for analysis of results and analysis of processes for continual improvement**

The linkages between [Figure 1](#) and ISO 9001:2015 are given in [Annex D](#). These linkages are effectively applied at every step of the top-down structured approach.

## 4.2 Top-down structured approach

### 4.2.1 General

The approach for realizing financial and economic benefits comprises a process which proceeds in two stages.

### 4.2.2 Stage 1 – Analysis of results

#### 4.2.2.1 Evaluation of current performance metrics

In Stage 1, top management starts by selecting a set of performance metrics.

NOTE 1 Particularly for small and medium sized organizations, the performance metrics (3.1) may simply be their financial performance reports.

NOTE 2 For organizations which operate as a not-for-profit, the performance metrics (3.1) may be their goals and objectives.

These metrics (3.1) may include both leading (3.8) and lagging indicators (3.9) .

Top management then periodically reviews the ongoing performance of the organization's processes and business performance against these initial set of metrics (3.1) (See [Figure 1](#)). The review is simply a comparison of current results against the initial set of management-selected performance metrics (3.1) to discern positive and negative trends (refer to [Annex A](#)).